

**REGULAR STATE CREDIT UNION BOARD MEETING
HELD BY CONFERENCE CALL
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

March 11, 2005

The regular meeting of the State Credit Union Board was called to order by Chairman Karsky in the Office of the Commissioner, Department of Financial Institutions, 2000 Schaffer Street, Suite G, Bismarck, North Dakota, at 9:35 a.m., Friday, March 11, 2005, by conference call.

MEMBERS PRESENT: Timothy J. Karsky, Chairman (*Office*)
Judy A. Millar, Member (*West Fargo*)
Ervin E. Mund, Member (*Office*)
Melanie Stillwell, Member (*Williston*)
Steven S. Tonneson, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Robert J. Entringer, Secretary (*Office*)
Jim Laidlaw, Chief Examiner – Credit Unions (*Office*)

MINUTES PREVIOUSLY APPROVED BY MAIL

The minutes for the regular meeting of December 17, 2004, and the special meeting of January 28, 2005, had been previously mailed to the Board and approved.

LEGISLATIVE SESSION

Chairman Karsky indicated the session is going well for the Department, adding that the budget bill had been heard on both sides of the Legislature. Most of the Department's bills have passed, and Chairman Karsky indicated there has been

a fair amount of controversy with regard the branching bill for credit unions. Chairman Karsky indicated the bill had been cosponsored by the North Dakota Credit Union League and there were a number of credit unions that opposed the bill; however, the bill had been voted on last week. Chairman Karsky indicated there were 19 votes opposing the bill, and that he was surprised by the number of votes against the bill.

Chairman Karsky indicated Member Mund is working on an amendment to a bill for stored value cards, which will add credit unions into the bill and allow them to issue stored value cards. Member Mund stated he had talked to six of the seven members of the Senate IBL Committee and had their verbal commitment to add credit unions to the bill, and at the hearing the seventh member of the Committee spoke in favor of the amendments. Member Mund indicated he has also spoken with the Chairman of the House IBL Committee, George Keiser, who indicated if the Senate IBL Committee and full Senate approve the bill as amended and it comes back to his Committee, he will speak in favor of the amendments.

Chairman Karsky indicated this is not really a banking bill, but more a labor department bill, and the way the statute is written an employee cannot ever be paid with a payroll check drawn on a credit union. The amendment on the House side added credit unions to allow payroll checks to be issued from them; however, the ability to issue a stored value card for wages does not include credit unions, which is the amendment that Member Mund is working on.

Member Millar asked if the credit union branching bill had passed, and Chairman Karsky indicated it has, although it has not been signed by the Governor. Member Millar indicated that must be the bill that some of the credit unions are upset about and left their Chapter. Member Mund indicated that was correct and stated it was a very bad bill. Member Mund indicated during the floor debate on the House side Representative Jeff Delzer from Underwood spoke against the bill and was nearly successful in getting the bill killed. Member Mund indicated that Representative Keiser stated the bill was a compromise bill that the lobbyist for the North Dakota Credit Union League and the banking associations had compromised on, and after that a vote was taken and the bill was passed. Member Mund indicated the credit unions have their work cut out for them for the next session to try to get this bill reversed.

Chairman Karsky indicated during the Legislative hearings on the credit union branching there appeared to be a lot of dirty laundry aired and yet at the

hearings the North Dakota Credit Union League's lobbyist, Greg Tschider, indicated he spoke for the League; however, the four or five credit unions that opposed the bill also did indicate their opposition. Chairman Karsky indicated he felt this was a classic case of the industry not knowing the implications of some of these bills and how they will impact their credit union. Chairman Karsky indicated the only option left would be to ask the Governor to veto the bill.

Member Mund stated the members of the North Dakota Credit Union League pay money for a lobbyist; however, the credit unions never hear what is going on, never get a fax, email or anything. Member Mund questioned how credit unions are supposed to know what is going on if they are not in the Capitol like the lobbyist is every day. Member Millar asked who the lobbyist is, and Member Mund indicated it is Greg Tschider.

Member Mund stated he has access to information from the lobbyists for the medical center and the type of information they receive from their lobbyists includes a description of each bill, the testimony, etc., and questioned why the credit unions do not get that type of information.

Chairman Karsky indicated most the of the bills should be heard by next week; however, it could take another three to four weeks for the Legislature to wrap up the appropriation bills.

Chairman Karsky asked Chief Examiner Laidlaw if he had anything to discuss. Chief Examiner Laidlaw indicated after the Legislature is through the North Dakota Administrative Code updates will need to be discussed and approved. Chief Examiner Laidlaw stated we will be looking at significant changes, including the section on reserve funds, housekeeping type changes, and a regulation on liquidity is needed because the current one is antiquated. Chief Examiner Laidlaw indicated he is looking at new chapters for leasing activities and participation loans. Chief Examiner Laidlaw indicated what brought this on is the Department was looking at Section 6-06-06, which includes the wild card provision permitting a credit union to engage in any activity they could if they were federally chartered, subject to rules the State Credit Union Board shall adopt. Chief Examiner Laidlaw pointed out years ago the statute read "subject to rules the State Credit Union Board may adopt"; however, it was the intent of then Commissioner Preszler in 1991 that changing the word "may" to "shall" would address the State Credit Union Board adopting rules and regulations for all of these activities that federal credit unions can do that are not specifically provided for in state law.

Chief Examiner Laidlaw said what he has been doing is looking at all the powers that are granted to federal charters and trying to address those powers in regulation. Chief Examiner Laidlaw stated the goal is to keep the State Credit Union Board informed and work closely with the North Dakota Credit Union League on these regulations.

The Board went into closed session at 9:50 a.m.

Timothy J. Karsky, Chairman

Robert J. Entringer, Secretary